

AMENDMENT NO. _____

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FILED

Date _____

Time _____

Clerk _____

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AMEND Senate Bill No. 3198*

House Bill No. 3214

by deleting all the language after the enacting clause and substituting instead the following:

SECTION 1. Tennessee Code Annotated, Title 7, Chapter 52, is amended by adding the following as a new, appropriately designated part:

Section 7-52-501. (a) Each municipality operating an electric plant described in Section 7-52-401 which is designated as a pilot system under the provisions of this act, has the power and is authorized, under the provisions of this act and on behalf of its municipality acting through the authorization of the board or supervisory body having responsibility for the municipal electric plant, to acquire, construct, own, improve, operate, lease, maintain, sell, mortgage, pledge or otherwise dispose of any system, plant, or equipment for the provision of cable service, two-way video transmission, video programming, internet services, or any other like system, plant, or equipment within and/or without the corporate or county limits of such municipality, and, with the consent of such other municipality, within the corporate or county limits of any other municipality. A municipality may only provide cable service, two-way video transmission, video programming, internet services or other like service through its board or supervisory body having responsibility for the municipality's electric plant. A municipality providing any of the services authorized by this section may not dispose of all or substantially all of the system, plant, and equipment used to provide such services except upon compliance with the procedures set forth in Section 7-52-132.

(b) Each electric cooperative which is designated as a pilot system under the provisions of this act may within its service area and with the authorization of its

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01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

membership acquire, construct, own, improve, operate, lease, maintain, sell, mortgage, pledge, or otherwise dispose of any system, plant, or equipment for the provision of, video programming, cable television, internet services, or any other like system, plant, or equipment. An electric cooperative may only provide cable service, two-way video transmission, video programming, internet services, or other like service after an affirmative vote of its membership authorizing its board of directors to provide such services. An electric cooperative providing any of the services authorized by this section may not dispose of all or substantially all of the system used to provide such service except upon compliance with the procedures in Section 65-25-213.

(c) The services permitted by this part do not include telephone, telegraph, and telecommunications services permitted under Part 4 of this chapter.

(d) Nothing within this section shall be construed to authorize a system to offer services to customers located outside the system's franchise area granted to the system pursuant to Section 4.

Section 7-52-502.

(a)(1) The Tennessee Municipal Electric Power Association shall recommend by August 1, 1998, to the Tennessee regulatory authority four (4) systems for designation as pilot systems.

(2) The Tennessee Electric Cooperative Association shall recommend by August 1, 1998, to the Tennessee regulatory authority two (2) systems for designation as pilot systems.

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016783

01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

(3) If either association has not submitted its complete allocation of recommendations by August 1, 1998, to the authority, the other association has until October 1, 1998, to recommend a sufficient number until a total of six (6) systems have been initially recommended for designation as pilot systems. Provided, however, the authority shall initiate its evaluation on August 1, 1998, if any recommendation has been submitted.

(4) The associations shall strive for geographical diversity across the grand divisions of the state and for diversity with respect to the number of customers in recommending the systems to the authority.

(5) If a municipal electric system or a cooperative exercises its power under Section 5 or 6 of this act, such system or cooperative shall not count against the total number of pilot systems permitted under this section and shall not be subject to the requirements of this part.

(b)(1) The authority shall review each recommendation, and within thirty (30) days of the date of receipt of each recommendation, shall act either to designate the system as a pilot system or notify the association making the recommendation and the recommended system of the reasons for not making such designation. The authority shall designate a recommended system as a pilot system if the recommended system:

(A) Is either a municipal electric system operating under the authority of Title 7, Chapter 52 or an electric cooperative operating under the authority of Title 65, Chapter 25; and

50000001

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01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

(B) Has been in existence and providing electric service to customers for more than ten (10) years.

(2) The authority shall notify the systems of their designations as pilot systems.

A system designated as a pilot system may pursue the offering of additional services provided in this act by submitting an application as outlined herein.

(c) It is the legislative intent of this part to establish a maximum of six (6) pilot systems. Before the authority granted by this part is expanded or restricted, the general assembly shall review the study of the Tennessee regulatory authority issued pursuant to Section 7-52-505 with respect to pricing, service availability, and degree of customer satisfaction with the delivery of cable services.

Section 7-52-503. (a) A system designated as a pilot system shall submit an application to the authority which includes a:

(1) Business plan, including a description of the quality and level of services to be provided, pro forma financial statements, a detailed financing plan, marketing plan, rate structure, and other information defined by the authority;

(2) Description of how the system will meet other conditions of this act;

(3) Information to be collected and provided to the authority to facilitate the authority's study of the impact of this act;

(4) Sample of the public notice to be printed in newspapers of local circulation which includes key elements of plan and comments of the authority;

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01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

(5) Documentation acceptable to the authority indicating that the system's governing body has taken action necessary to cooperate with the authority in its efforts to review the impact of the pilot system; such cooperation shall include, but not be limited to, providing the authority and its authorized agents access to information deemed relevant by the authority to the study of the impact of this act; and

(6) Documentation that the system's governing board has reviewed and approved the application.

(b) The authority shall review the application for completeness. If application is incomplete, the authority shall notify the applicant of the missing elements within thirty (30) days of submission by the applicant to the authority. The authority shall not continue to process an application until the application is complete. Once an application is complete, the authority shall, within ninety (90) days, provide to the applicant a written evaluation of the application. In the case of municipal electric systems, the authority shall also provide a copy of the written evaluation to the governing body of the affected municipality. Such evaluation shall include a finding on the reasonableness of the business plan and other such items as deemed appropriate by the authority. The authority's written evaluation shall summarize the authority's evaluation of the application and the public notice required in subsections (d) and (e) shall include the summary.

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01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

(c) Upon receipt of the authority's evaluation, the system governing board shall consider the authority's comments and make whatever changes to the business plan are deemed appropriate. After consideration of the authority's evaluation, the governing board shall consider whether to pursue the offering of additional services to customers. If a system declines to proceed with the offering of additional services, the association making the original designation may, within ninety (90) days, recommend another system to the authority for its evaluation; provided, however, an association may not submit a substitute designation on or after December 31, 1999.

(d)(1) If the system is a municipal electric and the board determines to proceed, it shall publish in a newspaper of general circulation within that area a notice of its intent to proceed with the offering of additional services. The notice shall include a general description of the business plan and a summary of the authority's comments on such plan. The notice shall also specify a date on which the local governing body or appropriate committee of such body shall conduct a public hearing on the application.

(2) The local governing body or appropriate committee of such body shall conduct a public hearing on such application. No sooner than fourteen (14) days after such public hearing, the local governing body may consider the system's application to provide additional services. A municipal system may provide

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01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

additional services only after local approval of the application in accordance with one of the following methods:

(A) The local governing body shall approve the providing of additional services by the adoption of a resolution by a two-thirds (2/3) vote; or

(B) The local governing body shall adopt a resolution by a two-thirds (2/3) vote directing the county election commission to conduct an election on the following question:

Do you favor the municipal electric system offering additional services as authorized by law?

YES___

NO___

The election on the question shall be scheduled as provided in Section 2-3-204. The general law applicable to elections shall apply. The municipality shall pay the cost of the election.

(e)(1) If the system is an electric cooperative, and the board of directors determines to proceed, it shall publish in a newspaper of general circulation within that area a notice of its intent to proceed with the offering of additional services. The notice shall include a general description of the business plan and a summary of the authority's comments on such plan. The notice shall also specify a date on which the board of directors shall conduct a public hearing on the application.

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01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

(2) The board of directors shall conduct a public hearing on such application. No sooner than fourteen (14) days after such public hearing, the board of directors may consider the system's application to provide additional services. A system may provide additional services only after an affirmative vote at a meeting of the cooperative held pursuant to Section 65-25-211, the notice for such meeting to include a description of the action to be considered.

Section 7-52-504. (a) A pilot system may not connect its first customer before July 1, 1999.

(b) The authorization to provide additional services as permitted in this act shall terminate on June 30, 2003; provided, however, any system providing services to customers as a pilot system prior to June 30, 2003, may continue to offer such services under the authority and pursuant to the provisions of this part notwithstanding the termination date of the pilot project.

Section 7-52-505. (a) No later than June 30, 2002, the authority shall commence a study of the pilot systems. The authority shall present its study to the appropriate standing committees of the general assembly no later than January 15, 2003. The goals of the study are to determine:

- (1) The impact on the systems of providing additional services,
- (2) The market impact of systems offering additional services, and

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01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

(3) Recommendations on changes in the conditions under which systems may offer additional services if the general assembly permits other systems to offer additional services.

(b) The authority shall also include in its study a review of the fees associated with pole attachment agreements in any area serviced by a pilot system, and the authority shall include in its study a recommendation on the amount of any pole attachment fee. The study shall consider various methods for establishing such fees including but not limited to, the cost of erecting and maintaining a utility pole used by a provider of cable services.

(c) The authority may conduct other interim reviews of the pilot projects.

Section 7-52-506. (a)(1)(A) A municipality or cooperative shall establish a separate division to deliver any of the services authorized by this part. The division shall maintain its own accounting and recordkeeping system. A municipality or cooperative shall not subsidize the construction or operation of the division with revenues from its power or other utility operations.

(B) A municipality or cooperative may lend funds to the division, at a rate of interest not less than the highest rate then earned by the municipality or the cooperative on invested electric plant funds, to acquire, construct, and provide working capital for the system, plant, and equipment necessary to provide any of the services authorized by this part; provided, however, such interest costs shall be allocated to the cost of such services. Any loan of funds made by a

500000001

50000001

016783

01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

municipality pursuant to this section shall be approved in advance by the state director of local finance and shall contain such provisions as are required by the state director.

(2) The division shall be subject to the terms and conditions of any existing or future pole agreement, including without limitation, the insurance provisions and the responsibility for make ready provisions, that are applicable to private providers of services provided by the division. Any and all infrastructure costs incurred as a result of a municipality or cooperative providing the additional services authorized by this part including, without limitation, costs incurred as a result of modifications to rights of way, shall be paid by the municipality or cooperative.

(b) A municipality or cooperative providing any of the services authorized by this part shall fully allocate any costs associated with the services provided under this part to the rates for those services. The costs associated with such services shall include payments of principal, interest on, and amortized costs incurred in connection with the issuance of bonds or notes issued for the purposes in this part; provided, however, if any of such bonds or notes shall be issued in such a way that interest thereon is excludable from gross income for federal income tax purposes, the municipality shall allocate to costs, instead of the actual interest being paid on such bonds or notes, an amount equal to interest which would be payable on the bonds or notes if the bonds or notes were bearing interest at rates equal to the average of the most recently published Moody's

50000001

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016783

01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

long term corporate bond yield averages and intermediate corporate bond yield averages for Aaa public utilities.

(c) A municipality or cooperative providing any of the services authorized by this part shall establish and charge rates that cover all costs related to the provision of any additional services.

(d) A municipality or cooperative shall charge a pilot program the same pole attachment fee as it charges any other franchise holder.

(e) Within a pilot area, any fee or other charge imposed by the municipality or cooperative on a private provider of cable services, shall also be imposed on the pilot system.

Section 7-52-507. (a) A municipal division providing the services authorized by this part shall be subject to a finance and compliance audit under the provisions of Section 6-56-105 in each year in which the pilot system is in operation for all operations of the division.

(b) A cooperative division providing the services authorized by this part shall be subject to an independent finance and compliance audit under the same procedures presently used by the board of directors for power operations in each year in which the pilot system is in operation for all operations of the division.

Section 7-52-508. (a) As a condition of qualification as a pilot system, a system shall agree that pole attachment fees in the areas serviced by a pilot system shall not

50000001

50000001

016783

01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

exceed those fees in existence on the effective date of this act and shall not be increased from that level for the duration of the pilot project.

(b) After July 1, 2003, in areas serviced by a pilot system, pole attachment fees for poles owned by a municipal electric system or an electric cooperative shall only be adjusted in accordance with the recommendation of the Tennessee regulatory authority in its study or the federal formula rate, whichever is greater.

Section 7-52-509. To the extent that it provides any of the services authorized by this part, a municipality or cooperative shall have all the powers, obligations, and authority granted entities providing similar services under applicable laws of the United States or the state of Tennessee or applicable local ordinances.

Section 7-52-510. (a) A municipal pilot system providing any of the services authorized by this part shall make tax equivalent payments with respect to such services in the manner established for electric systems under part 3 of this chapter; provided, such payments shall not include amounts based on net system revenues as provided in Section 7-52-304(1)(B). For purposes of the calculation of such tax equivalent payments only, the system, plant, and equipment used to provide such services shall be considered an electric plant, and the revenues received from such services shall be considered operating revenues.

(b) In addition to the requirement of subsection (a) and notwithstanding any other provision of law to the contrary, a pilot system providing the cable services, two

50000001

50000001

016783

01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

way video transmission or video programming services authorized by this part, is subject to the:

- (1) Excise and franchise tax law under Title 67, Chapter 4, Parts 8 and 9;
- (2) Sales tax law under Title 67, Chapter 6; and
- (3) Local privilege tax law under Title 67, Chapter 4, Part 7.

Section 7-52-511. This part shall not apply to any existing telephone cooperative that has been providing cable service for not less than ten (10) years under the authority of the federal communications commission.

Section 7-52-512. Any municipality authorized by this part to provide any of the services described herein shall have the power and is hereby authorized to borrow money, contract debts and issue its bonds or notes to finance in whole or in part the cost of the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of a system or systems, or any part thereof, to provide any of such services, including the acquisition of land or rights in land and the acquisition and installation of all equipment necessarily incident to the provision of such services. Any bonds or notes authorized to be issued pursuant to this section shall be issued only in accordance with the procedures, requirements and limitations set forth in Title 7, Chapter 34, or Title 9, Chapter 21, as elected by the municipality issuing the bonds or notes. All provisions of Title 7, Chapter 34, or Title 9, Chapter 21, relating to the authorization, issuance and sale of bonds or notes, the use and application of revenues of the system or systems

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016783

01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

being financed, powers to secure such bonds and notes, covenants and remedies for the benefit of bond or note holders with respect to such bonds or notes, validity and tax exemption with respect to such bonds or notes, and powers to refund and refinance such bonds or notes shall apply to any bonds or notes authorized hereunder and the system or systems financed thereby with the same effect as if such system or systems were a "public works", if proceeding under Title 7, Chapter 34, or a "public works project" if proceeding under Title 9, Chapter 21.

Section 7-52-513. (a) It is unlawful for a provider of cable services under Title 7, Chapter 59, or a pilot system operating under this part to use unfair or anticompetitive practices under any applicable provision of state or federal law. Such practices include, but are not limited, to predatory pricing.

(b) A franchiser or a franchisee under Title 7, Chapter 59, including a pilot system designated under this part, may bring a civil action for injunctive or declaratory relief in the chancery court to enforce the provisions of this part.

(c) Venue for such action is in any county where the unfair or anticompetitive practice is occurring or will occur.

Section 7-52-514. Notwithstanding the provisions of Title 7, Chapter 34, and Title 9, Chapter 21, to the contrary, a municipality may only provide the services authorized by this part upon being designated as a pilot project in accordance with the provisions of this part.

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016783

01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

Section 7-52-515. This part supersedes any conflicting provisions of general law, private act, charter or metropolitan charter provisions.

SECTION 2. Tennessee Code Annotated, Title 65, Chapter 25, Part 2, is amended by adding the following new section:

The restrictions of §§65-25-205(a)(13) and (c), 65-25-227, and 65-25-228 shall not apply to any pilot project approved under the provisions of Title 7, Chapter 52, Part 5, or a joint venture under the provisions of Section 7-52-501(b).

SECTION 3. Tennessee Code Annotated, Title 7, Chapter 52, Part 4, is amended by adding the following new section:

Section 7-52-408. Any municipality authorized by this part to provide any of the services described herein shall have the power and is hereby authorized to borrow money, contract debts and issue its bonds or notes to finance in whole or in part the cost of the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of a system or systems, or any part thereof, to provide any of such services, including the acquisition of land or rights in land and the acquisition and installation of all equipment necessarily incident to the provision of such services. Any bonds or notes authorized to be issued pursuant to this section shall be issued only in accordance with the procedures, requirements and limitations set forth in Title 7, Chapter 34. All provisions of Title 7, Chapter 34, relating to the authorization, issuance and sale of bonds or notes, the use and application of revenues of the system or systems being financed, powers to secure such bonds and notes, covenants and remedies for the

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016783

01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

benefit of bond or note holders with respect to such bonds or notes, validity and tax exemption with respect to such bonds or notes, and powers to refund and refinance such bonds or notes shall apply to any bonds or notes authorized hereunder and the system or systems financed thereby. Nothing in this subsection shall be construed to diminish or alter the jurisdiction of the Tennessee regulatory authority over municipalities that provide any of the services described in Title 7, Chapter 52, Part 4. Notwithstanding any provision of law to the contrary, such services shall not constitute "public works" as that term is defined in §7-34-102.

SECTION 4. Tennessee Code Annotated, Section 7-59-102, is amended by adding the following new subsection:

Any pilot system permitted to operate under the authority of Title 7, Chapter 52, Part 5, shall obtain a franchise pursuant to this chapter from the appropriate municipal governing body or county governing body before the pilot system may deliver any cable services, two way video transmission or video programming.

SECTION 5. Tennessee Code Annotated, Section 7-52-103, is amended by adding the following new subsection:

(c) Each municipality operating an electric plant has the power and is authorized within its service area and on behalf of its municipality acting through the authorization of the board or supervisory body having responsibility for the municipal electric plant, to contract to establish a joint venture with an entity that is a franchise holder offering or providing services on the effective date of this act under Title 7, Chapter 59, or a

50000001

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016783

01678328

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 3198*

House Bill No. 3214

successor to such franchise holder to provide the services authorized by Section 7-52-501.

SECTION 6. Tennessee Code Annotated, Section 65-25-205(c), is amended by adding the following language at the end of the subsection:

(c) Provided, however, each cooperative may, within its service area and with the authorization of its board, contract to establish a joint venture with an entity that is a franchise holder offering or providing services on the effective date of this act under Title 7, Chapter 59, or a successor to such franchise holder to provide the services authorized by Section 7-52-501.

SECTION 7. Tennessee Code Annotated, Section 7-52-405, is amended by adding the following new subsection:

(3) Payments of principal of, interest on and amortized costs incurred in connection with the issuance of bonds or notes issued for the purposes in this part; provided, however, if any of such bonds or notes shall be issued in such a way that interest thereon is excludable from gross income for federal income tax purposes, the municipality shall allocate to costs, instead of the actual interest being paid on such bonds or notes, an amount equal to interest which would be payable on the bonds or notes if the bonds or notes were bearing interest at rates equal to the average of the most recently published Moody's long term corporate bond yield averages and intermediate corporate bond yield averages for Aaa public utilities.

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016783

01678328

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

AMENDMENT NO. _____

Signature of Sponsor

AMEND Senate Bill No. 3198*

House Bill No. 3214

SECTION 8. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 9. This act shall take effect upon becoming a law, the public welfare requiring it.

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